

**STATE OF MICHIGAN
DEPARTMENT OF ENERGY, LABOR AND ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE REGULATION**

Before the Commissioner of Financial and Insurance Regulation

**In the matter of
Blue Cross Blue Shield of
Michigan's Request for Interim Rates
For Nongroup & Group
Conversion Coverage**

Order No. 10-105-BC

**Issued and entered
this 29th day of December, 2010
by Ken Ross,
Commissioner**

**ORDER GRANTING INTERIM RATES
IN THE MATTER OF
BCBSM NONGROUP AND GROUP
CONVERSION SUBSCRIBERS**

On May 21, 2010, the Office of Financial and Insurance Regulation (OFIR) received from Blue Cross Blue Shield of Michigan (BCBSM) filings of proposed rates and supporting information relating to its nongroup and group conversion lines of business, to be effective October 1, 2010.

On September 20, 2010, Attorney General Mike Cox timely filed requests for hearings on each rate filing. On September 21, 2010, the OFIR Staff made its timely request for a hearing on the rate filings. On October 5, 2010, the Commissioner of OFIR (Commissioner) issued an Order for Hearing for the nongroup and group conversion rate filings. On October 20, 2010, a scheduling conference was held and the hearing for the nongroup and group conversion rates has been set for January 12, 2011.

On October 1, 2010, pursuant to MCL 550.1614, BCBSM submitted to the Commissioner an Interim Rate Request for Nongroup and Group Conversion Coverage. BCBSM requested that the interim rates be approved effective November 1, 2010, and remain in effect until final rates are approved.

BCBSM requested a 15% rate increase for its Nongroup Legacy product, a 9.9% rate increase for its Nongroup Plus product, a 12.0% rate increase for its Group Conversion Legacy product, and a 7.8% rate increase for its Group Conversion Plus product.

OFIR Staff disagrees with BCBSM's trend projections used in developing its proposed interim rates. Therefore, OFIR Staff proposes a 9.3% rate increase for Nongroup Legacy and Plus products, and a 7.0% increase for Group Conversion Legacy and Plus products.

A. Interim Rate Standard

MCL 550.1614 (2) provides:

The commissioner shall grant an interim rate, in an amount as determined by the commissioner, if the commissioner makes a finding that the corporation has made a convincing showing that there is probable cause to believe that the failure to grant the interim rate will result in an underwriting loss for that line of business for the period for which rates are being requested. As used in this subsection, "underwriting loss" means the difference between income from current rates plus investment income, and projected claims plus projected administrative expenses.

B. Trend Adjustment

In its request for interim rates, BCBSM asked that the proposed interim rates be the same as the rates contained in the original filing.

BCBSM included in its original filing not only the originally proposed October 1, 2010, effective dates but proposed rates for subsequent effective dates. The rates for subsequent months include additional trend to account for the loss of revenue incurred by delaying the rate increase.

There is considerable disagreement between the parties concerning the appropriate trend projection. A review of the information presented by BCBSM provides convincing support, for the purpose of this interim rate request, that losses will continue. The staff has similarly made a plausible case that the BCBSM trend is inappropriately high and downward adjustment is appropriate.

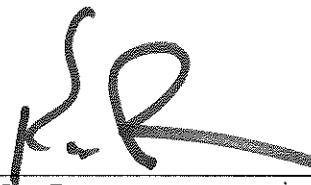
C. Conclusion

Because rate making is an exercise in future projection, reasonable disputes may arise over anticipated trend development, as those projections are based upon both past experience and future expectations. The accuracy of both has yet to be explored and presumably will be thoroughly scrutinized during the contested rate hearing.

The determinations made here are for purposes of deciding the interim rate request for Nongroup and Group Conversion subscribers. The Independent Hearing Officer is, of course, free to make his own analysis and conclusions on these issues in his Proposal for Decision. Moreover, the Commissioner will, himself, in addressing these issues in the Final Decision, following the Proposal for Decision, base his decision on the factual record and the arguments presented.

THEREFORE, IT IS ORDERED that

1. BCBSM is authorized to implement interim rates generating an overall 9.3% increase for its Nongroup line of business;
2. BCBSM is authorized to implement interim rates generating an overall 7.0% increase for its Group Conversion line of business;
3. BCBSM shall compile a schedule with respect to the rate increases for both the Nongroup and Group Conversion lines of business and shall submit that schedule for Commissioner approval.

A handwritten signature in dark ink, appearing to be 'K. R.', written over a horizontal line.

Ken Ross
Commissioner